

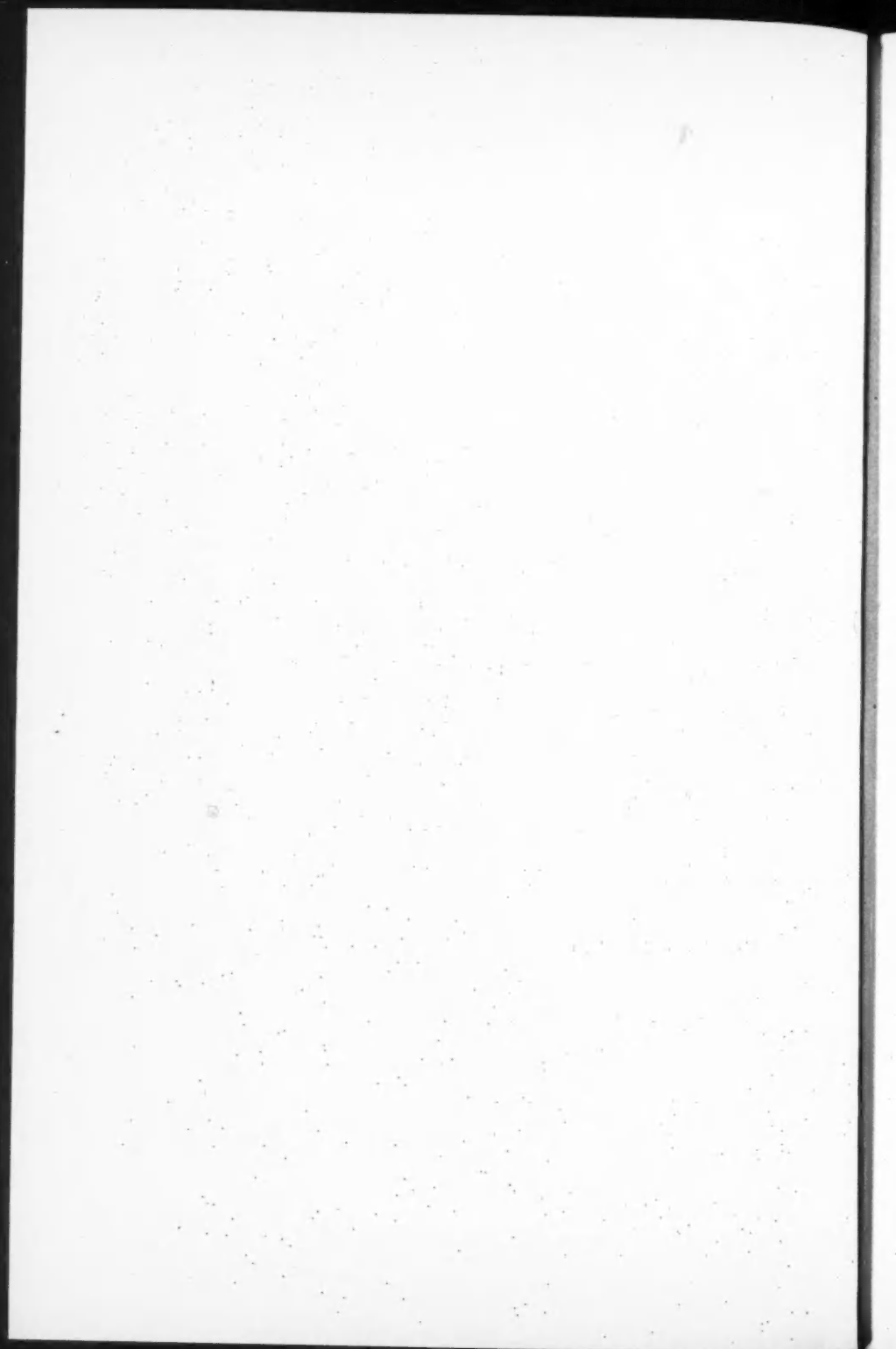
S MALL CARS

by

William R. McIntyre

	Page
YEAR OF DECISION FOR AUTO INDUSTRY	855
Hopes for Revival of Market for Big Cars	855
Rise in Sales of Small Economy Automobiles	856
Distribution of Foreign Car Sales by States	858
REASONS FOR POPULARITY OF SMALL CARS	859
Lower Prices and Lower Operating Costs	859
Parking Advantages and Ease of Handling	861
Decline of Automobile as Prestige Symbol	863
ATTITUDE OF BIG THREE MANUFACTURERS	864
View of Small Car Boom as Passing Fad	865
Emphasis on Demand for Large-Car Features	865
Failure of Past American Small Car Ventures	866
TENTATIVE PLANS TO MAKE SMALLER CARS	867
Reported Features of Big Three Economy Autos	869
Market for Small Motor Cars in United States	870

Nov. 19
1958



SMALL CARS

A SHARP RISE in sales of Volkswagen, Renault, Fiat, English Ford and other small European cars in the United States, coupled with mounting sales by American Motors of its Rambler lines, have forced the Big Three automobile manufacturers to reconsider their policy of annually increasing the size and price of their product. General Motors, Ford, and Chrysler are making tentative plans to include a small economy car among their 1960 models.¹

Despite extensive sampling to discover American likes and dislikes in motor vehicles, the manufacturers are still uncertain as to whether there is actually a large and profitable market for economy cars in this country. Frederic G. Donner, board chairman of General Motors, said of G.M.'s small car plans on Oct. 13: "We are moving forward but are still weighing the pros and cons. We are taking a hard look at the whole small car idea. . . . All I can say is that we have not yet reached the point of no return." It is a virtual certainty that if one of the Big Three does go into small car production, the other two will follow.

Final decisions probably will have to be made within a few months. What they will be is likely to depend in large part on the attitude of the public in the meantime toward the 1959 car models. Dealers in every part of the country have reported a brisk demand for the new cars, and the economy of the situation would seem to favor a continuing strong demand. The bumper crop of 1955 models, already paid for, did not show up as anticipated in trade-ins earlier this year. About four million cars have been scrapped during the year. And consumer income has declined only minimally in the now-vanishing recession.²

¹ Studebaker-Packard, independent producer, recently introduced the Lark, which ranks in size and price with the Rambler American, smallest of the Rambler models.

² Consumer income eased off from an annual rate of \$351.8 billion in July 1957 to \$346.4 billion in February 1958. By September 1958 it had climbed to a record \$357.8 billion annual rate (revised figure).

However, company executives have not been as optimistic about sales prospects as might be expected. Byron J. Nichols, Chrysler vice president of automotive sales, observed on Sept. 19: "It seems clear that in 1959 we are not going to sell anything approaching the 7.2 million cars sold in 1955." Estimates of 1959 sales of domestic passenger cars have ranged from 5.1 million to 5.5 million. Big Three spokesmen have not said precisely what will influence them to give the go-ahead signal on small car production; it stands to reason, however, that if a strong and sustained demand for the 1959 domestic cars does not develop, and sales of economy cars keep on going up, the Big Three will get into the business.

RISE IN SALES OF SMALL ECONOMY AUTOMOBILES

The Big Three's share of the American automobile market slipped from 94.4 per cent in the first half of 1957 to 88.9 per cent in the first half of 1958. Virtually the whole loss was attributable to the upsurge in sales of the Rambler and of foreign imports. A spokesman for American Motors last August traced the course of sales in this country of "compact cars," foreign and domestic. "After accounting for about 1.2 per cent of the total business in 1953 and 1954," he said, "their total rose to 1.8 per cent in 1955, 2.8 per cent in 1956, and 4.9 per cent in 1957. . . . We estimate that smaller cars are getting about 11 per cent of current business nationally."³

The number of imported cars purchased, according to statistics compiled by *Automotive News*, climbed from 58,000 in 1955 to 98,000 in 1956 and to 207,000 in 1957. Sales of 263,000 imported cars in the first nine months of 1958 exceeded the total for all of last year. Foreign cars in September snapped up the biggest bite of the new car market in history, capturing 11.5 per cent of total sales.⁴ Volkswagen kept top position, but its leading competitors, Renault and English Ford—just beginning to go after American sales in a big way—chalked up record sales for one month. Total foreign car sales in 1958 are expected to be in the vicinity of 365,000—a gain of more than 76 per cent over 1957 sales.

³Quoted by Earl F. Wegmann, *Detroit News*, Aug. 21, 1958. Some of the imported autos are luxury cars or expensive sports models which cannot be classed as economy vehicles.

⁴Foreign imports accounted for 1.6 per cent of total new car sales in the United States in 1956, 3.5 per cent in 1957. Monthly percentages for 1958: January, 5.1; February, 6.0; March, 6.6; April, 7.3; May, 7.5; June, 7.6; July, 8.2; August, 9.3; September, 11.5.

Small Cars

Automotive News reported, Sept. 22, that foreign car dealerships climbed from 2,930 on Jan. 1, 1957, to 11,327 on Jan. 1 of this year; by July 1, the number had increased to 12,967. In a year and a half the ratio of dealers handling at least one foreign make had gone from 1 in 13 to 1 in 3. Only 17 per cent of the agencies selling foreign cars dealt exclusively in imported automobiles; 83 per cent sold domestic cars and handled the foreign cars as a sideline. Most of the latter dealers sold one or another of six "captive" or "near-captive" imports—English and German Fords (Ford dealers); Mercedes (Studebaker-Packard); Metropolitan (American Motors); Opel (Buick); Vauxhall (Pontiac).⁵

The increase in dealerships reflects growing sales of foreign cars in states where previously few or none were sold. As recently as 1957, demand for imported cars was confined largely to the Pacific Coast, Florida, and the upper portion of the eastern seaboard. These areas remain the chief strongholds of foreign car popularity, but the market for the imports has expanded in all 48 states and the District of Columbia. The German Volkswagen in the first six months of 1958 averaged more sales per dealer than any other make of car, foreign or domestic,⁶ despite waiting periods for delivery which were nowhere less than three months and in some large cities as long as 16 months. Taking in all domestic new cars, Volkswagen and Renault ranked 11th and 12th, respectively, in September sales, outdistancing Chrysler; English Ford in 14th place ran ahead of DeSoto and Studebaker.

IMPACT OF SLUMP IN OVER-ALL SALES SINCE 1955

The single American-built car to show a numerical gain over 1957 in the 1958 model run was the Rambler. Only 4.2 million American cars were produced in the 1958 model year, compared to 6.2 million in the preceding year—a drop of 32 per cent. Rambler output climbed 82 per cent to 162,000, nearly 4 per cent of the domestic car market. At

⁵ The *Automotive News* survey was completed before Chrysler took over American distribution of the French-made Simca, in which Chrysler acquired an interest this year. General Motors and Ford have been slow to push sales in this country of small cars made abroad by their subsidiaries or affiliates, possibly because the supply of such cars for export has been limited by heavy foreign demand and because action in Detroit to give strong encouragement to imports would bring vigorous protest from the automobile unions. These factors weigh also against the possibility that the Big Three, rather than incur the higher costs of production in this country, might seek to rely entirely on their foreign-made cars to meet the growing American demand for small autos.

⁶ The 349 Volkswagen dealers moved an average of 115 cars each. The top figure for U.S. cars was Chevrolet's 89 cars per franchise.

Editorial Research Reports

RATIO OF FOREIGN CAR SALES, BY STATES, 1956-1958 (% of total sales of new cars)

State	1956	1957	1958*	State	1956	1957	1958*
Ala.	0.6	2.7	5.8	Nev.	4.2	8.2	17.3
Ariz.	2.3	5.4	12.5	N. H.	2.6	6.4	12.5
Ark.	0.3	1.1	3.5	N. J.	1.5	3.4	7.2
Calif.	5.6	9.3	14.6	N. M.	1.0	3.5	6.6
Colo.	0.9	3.4	8.1	N. Y.	2.5	4.8	8.1
Conn.	2.9	6.7	12.6	N. C.	0.5	1.5	3.9
Del.	0.9	2.2	6.3	N. D.	0.3	1.2	2.5
D. C.	2.2	5.3	10.2	Ohio	0.7	1.9	4.2
Fla.	2.6	6.5	13.7	Okla.	0.5	2.1	4.5
Ga.	0.6	2.6	7.8	Ore.	3.7	7.9	14.9
Idaho	0.8	3.8	8.4	Pa.	1.0	2.7	4.9
Ill.	0.8	1.9	3.0	R. I.	2.6	5.5	10.1
Ind.	0.5	1.4	3.3	S. C.	0.7	2.2	6.9
Iowa	0.7	1.3	2.5	S. D.	0.4	1.3	2.3
Kan.	0.4	1.7	3.5	Tenn.	0.3	1.2	3.9
Ky.	0.4	0.9	3.2	Texas	0.5	1.7	4.8
La.	0.5	1.4	5.0	Utah	1.9	4.6	9.3
Maine	1.8	5.0	9.0	Vt.	2.5	7.2	12.3
Md.	1.1	2.9	6.3	Va.	1.4	3.3	7.6
Mass.	2.0	4.8	8.3	Wash.	4.0	8.2	13.7
Mich.	0.8	2.3	4.2	W. Va.	0.8	1.9	4.4
Minn.	0.6	1.4	3.0	Wis.	0.8	1.9	3.3
Miss.	0.2	1.1	3.4	Wyo.	0.6	2.2	5.6
Mo.	0.6	1.5	3.7				
Mont.	1.4	4.3	5.9				
Neb.	0.3	1.2	3.7	Total	1.6	3.5	6.8

* First half of 1958.

SOURCE: National Automobile Dealers Association.

the same time, Rambler rose from 12th to 7th in sales position among domestic cars.

Despite the gains in population, households, and disposable personal income, total new car registrations have declined steadily since the record 7.2 million in 1955. In 1956, the number fell to 5.9 million and in 1957 to 5.7 million. Fewer than 3.5 million new cars, including the foreign makes, were purchased in the first nine months of 1958, and most automotive statisticians estimate total sales in the calendar year 1958 at about 4.5 million, depending on the buyer reception accorded 1959 models in the final months of 1958.

The impact of the slump in auto sales on the country's economy can be deduced in a general way by considering the economic role of the auto industry in 1957, a year in which a million to a million and a half more cars were sold than

Small Cars

probably will be sold this year. In 1957, production of automobiles ate up nearly one of every five tons of steel sold in the United States; more than one of every 13 tons of copper; two of every five tons of lead; about one pound in six of nickel; one of every three tons of zinc; nearly two-thirds of the natural and synthetic rubber; nearly two-thirds of all upholstery leather. One business in six and one employed person in seven depended for a livelihood on the manufacture, distribution, servicing, or use of motor vehicles. In addition, nearly \$6 billion worth of automotive products was turned out by manufacturers not classified as automotive. For example, 36 per cent of all radios produced in 1957 were for installation in automobiles.⁷

Planned spending by the automobile industry for new plant and equipment fell in 1958 to \$768 million, less than one-half of the 1956 total and more than 25 per cent below the \$1.06 billion spent in 1957. According to recent estimates, a gain of 1.5 million in domestic car output in 1959 would mean 60,000 more jobs in auto plants alone, 20,000 more in the steel industry; manufacture of steel would increase by 3.9 million tons, of rubber by 472 million pounds, of glass by 45 million square feet.⁸ Any number of other related businesses would benefit in greater or less degree. The attitude of the American people, and of the American automobile industry, toward small cars clearly may have a good deal to do with how the nation's economy fares.

Reasons for Popularity of Small Cars

THE COST FACTOR plays a large part in promoting purchases of small foreign cars. "Economy in general" was cited by 33.2 per cent of the small car owners participating in a recent survey as the "main reason" for their purchases, while 40.3 per cent specified "lower operating cost" and 19.8 per cent "lower initial cost."⁹

Savings in operating cost are readily demonstrated. Assuming that a Chevrolet, Ford, or Plymouth will get 13

⁷ Automobile Manufacturers Association, *Automobile Facts and Figures* (1958 edition).

⁸ *U. S. News & World Report*, Oct. 3, 1958, p. 31.

⁹ *U. S. News & World Report*, Sept. 19, 1958, pp. 74-75.

Editorial Research Reports

miles to the gallon of high-test gasoline in combined traffic and open-road driving, and that a Fiat, Renault, or Volkswagen will get 30 miles to the gallon of low-test gasoline under the same conditions, the gas bill for 10,000 miles of driving will be about \$280 for the American car and about \$110 for the foreign car. Additional savings in outlays for oil, anti-freeze, tires, parts, repairs, and insurance may mean an over-all difference of at least \$225 in annual operating costs.

There are wide differences also in depreciation rates. A small imported car in high demand, like the Volkswagen, generally does not show any depreciation during its model year and loses less than 10 per cent of its market value when it is a "model year" old; depreciation then proceeds at a slower pace. On the other hand, a 1957 Chevrolet, Ford, or Plymouth depreciated about 32 per cent before its model year had expired, lost another 18 per cent this year, and will continue down a probable 11 per cent in 1958. Thus a car costing \$2,340 in 1957 would sell for roughly \$900 in 1959—an average depreciation cost of \$475 a year.¹⁰

Automotive News reported, Sept. 22, that the average retail list price of Chevrolet, Ford, and Plymouth models offered in 1958, stripped of optional equipment, was \$2,517. A 4-door sedan in the middle series of these makes would have listed at an average of \$2,290 without optional equipment; addition of a radio, heater, automatic transmission, and substitution of an 8-cylinder engine would have lifted the average to \$2,710; power steering and power brakes could have been had for another \$110. One of the foreign best-sellers, with radio and heater, could have been bought in 1958 at a list price ranging from \$700 to \$900 under that of the average 6-cylinder Chevrolet, Ford, or Plymouth equipped with only radio and heater. Comparative list prices for 1959 models swell the differential by another \$150 to \$200. Some of the 1958 Rambler lines were list-priced close to similar models of Chevrolet, Ford, and Plymouth, but American Motors advertising has stressed "top economy of all American-built cars"; apparently a desire for lower operating costs has helped swing many new-car buyers to Rambler this year.

Virtually all American cars have frequently had to be sold below list price. Dealers as yet have rarely found it

¹⁰ "What It Really Costs to Run Your Car," *Changing Times*, October 1958, p. 15.

Small Cars

necessary to sell the more popular foreign makes at a discount; this is one of the reasons why so many dealers have taken them on. The standard list price of a new American car allows for a dealer gross profit of 20 to 25 per cent. Assuming that a dealer has to cut his mark-up on a \$3,000 car in half in a competitive market, his gross profit will be no larger than on a \$1,500 foreign car selling at the list price. Actually, a dealer sometimes makes more net profit selling a foreign car than a domestic car.¹¹

PARKING ADVANTAGES AND EASE OF HANDLING

Ranking next to economy as a reason for buying a small foreign car is the convenience of driving it. The standard 1958 Chevrolet is 209 inches long—28 inches shorter than the longest Cadillac but 49 inches longer than the Volkswagen. The difference of from four to six and one-half feet in length makes it far less difficult to find a place to park the foreign cars and also the 178-inch Rambler American. Moreover, because the small cars are not only shorter but also at least 12 inches narrower, they can be maneuvered more easily in traffic and can be sheltered at home without enlarging the garage. The typical 4-door sedan produced by Chevrolet, Ford, and Plymouth in 1958 was a foot longer, five inches wider, and a foot lower than in 1948.

Continuation in the 1959 models of the general trend toward longer, wider cars has caused some big city garage and parking lot operators to rebel. The City Auto Parks Co. of St. Louis announced early in October that none of its six lots would park 1959 Cadillacs. New York City's Metropolitan Garage Board of Trade, representing 400 Manhattan and Bronx operators, voted on Oct. 21 to boost charges on the largest cars, including earlier models, by 15 to 30 per cent. A Washington, D. C., parking lot operator announced that a section of a downtown lot would be reserved for small cars—40 of which can be parked in the space required for 28 regular-size cars—with the parking fees on the small cars reduced by about one-third. A Chicago operator gives small cars a 10 to 15 per cent discount.

The National Automobile Dealers Association recently asked the General Federation of Women's Clubs and the

¹¹ New car and truck dealerships in the first nine months of 1958 showed a net operating loss of \$6 per unit, or minus 0.1 per cent of sales dollars, before federal income taxes. The "saving factor" to dealers in selling domestic cars is that a good profit is made on extras—generally more numerous on American-made cars.

Editorial Research Reports

National Student Association to help it "evaluate public thinking and opinion as a guide to future association planning."¹² Questionnaires sent to representative samples of the membership of both groups invited comment on "any phase of the auto industry," and those who responded were highly critical of the new cars. The women complained that the cars had too much horsepower, were priced too high, were too long. The students said the cars had too much chrome; that there was need for a low-cost, high-mileage, U.S.-made car; that too much emphasis was put on horsepower; that the cars should be equipped with more safety devices; that they were too long and too hard to park. The foregoing complaints, listed in the order of frequency, gave clear indication of demand, however extensive it may actually be, for a small, sturdy, economical car, preferably American-made.

AVERSION TO BIG CARS AND BIG THREE POLICIES

Big Three executives are certain that the present popularity of small cars stems in part from the spate of criticism recently directed against practices and products of the major automobile manufacturers. They have been accused of helping to bring on the recession by overselling the market for new cars, and then of helping to prolong the slump by refusing to cut prices to spur demand. George Romney, president of American Motors, pointed out, Sept. 10, that while business in general had declined 12 per cent, the automobile industry had suffered a drop of 33 per cent. "At least a share of the decline must be attributed to the fact that the product itself did not adequately stimulate consumer interest."

The price, size, and gas-guzzling qualities of new American cars were several times assailed on the floor of the Senate during the 1958 session of Congress. It was generally assumed that President Eisenhower had the automobile industry in mind when he said at a news conference, April 9: "I personally think our people are being just a little bit disenchanting by a few items that have been chucked down their throats, and they are getting tired of them; and I think it would be a very good thing when the manufacturers wake up . . . and begin to give the things we want instead of the things they think we want."

¹² N.A.D.A., *The Customer Speaks* (1958). The General Federation of Women's Clubs represents 11 million women, the National Student Association 3 million college students.

Small Cars

Public hostility may have been intensified by newspaper and magazine accounts of large payments by automobile companies to psychologists and motivational research experts to find out what the consumer will buy. In a recent critical analysis of the industry, John Keats said car designers had been given the job of coming up with "something that is a symbol of speed, sex, wealth and power to Pop . . . [which] must also appear unimaginative, unspontaneous, routine and unexciting to Mom."¹³

DECLINE OF AUTOMOBILE AS PRESTIGE SYMBOL

The 1959 models may represent for the domestic automobile industry a final test of certain assumptions until recently firmly held. It has been the belief of the motor manufacturers that Americans would continue to spend on automobiles an increasing proportion of a rising after-tax income; that this propensity could be most effectively stimulated by "planned obsolescence," or the introduction each year of new and more desirable cars; that flashier, larger cars would be irresistible to consumers as a symbol of status within the community.

Since the record sales year of 1955, however, consumers have progressively put fewer, not more, dollars into new car purchases. Planned obsolescence is still vigorously defended by automotive leaders,¹⁴ but observers have noticed a tendency among buyers not only to favor the foreign cars, which are subject to less frequent model changes, but also to drive American cars longer. The buyer has come to realize, it is said, that the heavy cost of producing and marketing new models has made manufacturers devote more attention to radical face lifts than to radical engineering improvements. As a result, many owners have hung onto the old car longer with a certain pride in the conviction that they have not been out-smarted.

This attitude has been reinforced by an apparent slipping of the automobile as a symbol of place and prestige. George Romney has said: "It used to be that many people could satisfy their neighborly pride by living in a small house with a big new car in the driveway. It was a none-too-subtle symbol of success. Today, the showy car is be-

¹³ John Keats, *The Insolent Chariots* (1958), p. 76.

¹⁴ G.M. Chairman Donner said, Oct. 14: "If it had not been for the annual model change, the automobile as we know it today would not be produced in volume, and would be priced so that relatively few could afford one. Our customers would have no incentive or reason to buy a new car until the old one wore out."

coming passé as the primary means of satisfying ego expression." ¹⁵ Elmer Hammacker, a teacher of social psychology, recently commented: "Twenty years ago any school boy could identify most makes at a glance. But now that all of them have become over-sized, over-powered, over-priced, and over-decorated . . . there isn't much point in trying to inch up the status ladder from a Ford to a Buick or a Cadillac. The caste marks got to looking too much alike." ¹⁶

Depending on one's interests and income level, the automobile seems to have been replaced as a status symbol by such things as swimming pools, club memberships, pleasure boats, high fidelity equipment, portable TV sets, and holidays abroad. The eventual result may be a near-revolution in auto making.

Attitude of Big Three Manufacturers

THE BIG THREE automobile manufacturers have shown extreme caution about getting into the small car business. The initial tendency to brush aside small cars as "a fad" or "a passing phenomenon" has abated somewhat, but executives of the leading companies have been chary of concluding that rising sales of Ramblers and imported cars foreshadow a revolution in consumer preferences.

The general position of Chevrolet, Ford, and Chrysler officials has been that the drop in new big car sales and the rise in new small car sales were the product of a remarkable set of coincidences. Chrysler Vice President Nichols on Sept. 10 cited five factors which he considered responsible for the decline in sales of American-built cars in 1958: (1) The recession "depressed consumer confidence out of all proportion to the actual declines in economic activity"; (2) "the country was better supplied with automobiles than it had ever been before . . . and people could put off buying if they were at all concerned about the economic future"; (3) there was "no room" for lengthening instalment credit maturities; (4) the 1958 models provided a "somewhat less than normal stimulation of the market";

¹⁵ Quoted by Eric Larrabee, "Detroit's Great Debate: 'Where Did We Go Wrong?'" *The Reporter*, April 14, 1958.

¹⁶ Quoted by John Fischer, "The Editor's Easy Chair," *Harpers*, July 1958, p. 11.

Small Cars

(5) "there was a visible rise of consumer interest in the imported small car and the drumfire of criticism of the American-built car coming . . . from all directions."

VIEW OF SMALL CAR BOOM AS PASSING FAD

Benson Ford, vice president of the Ford Motor Co., summing up studies conducted by his firm, said on May 6: "The small car phenomenon reflects both novelty-buying and reaction to the present economic and psychological climate. It does not seem likely on the basis of present evidence that the small car will become more than a marginal factor in the economy." Ford, taking issue with the contention that economy was the one big reason for purchasing a small car, pointed out that "The spurt in small car sales had its beginning in a period of high prosperity and full employment." G.M. Chairman Donner dismissed economy theories, Sept. 17, as merely "rationalizations for not buying a car."

A leading Detroit view has been that the attractions of convenience and reliability weigh no more heavily than economy in most small car purchases. Big Three executives point to a recent study by the Color Research Institute, which found that the chief motivation behind purchase of foreign cars was that they were "cute," "different," "unusual," or "distinctive." The director of the institute said: "The study showed that most of the people who buy the small foreign cars . . . would not want to be seen in an economy-model Ford or Chevrolet, minus radio, cigaret lighter, white-wall tires, power-steering and power-brakes." He asserted that the person who buys a small foreign car instead of the stripped-down American model generally does so because it has snob appeal, individuality, and originality at low cost.¹⁷ Big Three officials have insisted that the elements making up the appeal of the small car will prove less persuasive in the long run than those that make the bigger American car desirable, such as roominess and riding comfort, automatic handling devices, and styling.

EMPHASIS ON DEMAND FOR LARGE-CAR FEATURES

Conspicuous sellers among 1958 domestic cars—with the exception of the Rambler lines—were luxury products such as the Oldsmobile, dubbed "king of chrome" in the industry, the Chevrolet Impala, the 4-passenger Ford Thunder-

¹⁷ *Automotive News*, Sept. 22, 1958, p. 23.

Editorial Research Reports

bird, and the Plymouth station wagon. Despite Romney's assertions that Rambler sales skyrocketed because the product satisfied the American sense of economy and proportion, rival executives insist that the Rambler is a conventional American car in everything except wheelbase,¹⁸ and that it costs about as much to buy and to operate. More significant, the really small Rambler American, with a length of 178 inches and a 100-inch wheelbase, has accounted for only one of five Rambler sales since its introduction last winter. Big Three executives attribute Rambler success in large part to Romney's persuasive salesmanship.

American buyers have continued to demand the performance and power features generally unavailable in the small European car. Vice President Nichols of Chrysler related, May 21: "The percentage of Plymouths equipped with six-cylinder engines has declined from 34.6 in 1956 to 26.5 in 1957 to 21.5 so far in 1958." He said that the percentage sold with automatic transmissions had "grown from 62.2 in 1956 to 77.1 in 1957 to 78 so far in 1958." The trend toward power steering was "even more pronounced—from 6.4 per cent in 1956 to 33.4 per cent so far in 1958."

FAILURE OF PAST AMERICAN SMALL CAR VENTURES

The weight of historical evidence is overwhelmingly against the success of efforts to reduce the size or in any other way to "downgrade" automobiles from the levels existing at any particular time. The famous Model T, only 134 inches long, was not a small car in its day but a standard-size car that had few extras because extras were not then in demand. Although 15 million Model T's were marketed, Ford was forced to replace it with the Model A in 1928; failure to keep up with the growing size and improved style of competitors had contributed to a sharp drop in Ford sales.

Numerous attempts to launch small or compact cars were made in this country during the 1920s and 1930s, but none was successful. Studebaker's Erskine, W. C. Durant's \$348 Star, Studebaker's Rockne, the American Bantam, and the Willys "77" all failed to catch on. The American-made Austin, introduced in 1929, prospered briefly, then passed from the scene. The Willys Jeep, which helped to win

¹⁸ Wheelbase of the standard Rambler measures 108 inches, roughly 8 to 10 inches less than that of Chevrolet, Ford, and Plymouth.

Small Cars

World War II, had moderate success, but the postwar period has seen the demise of a number of smaller cars, including the Crosley, the Henry J, and the Hudson Jet.

The car that has generally picked up on its competitors, automobile men point out, has been the one that most successfully blended increased size with improved styling in a new model year. Improved styling in the past decade usually has meant making the cars longer, wider, and lower. The advantage in the battle for sales between Chevrolet and Ford during that period has see-sawed back and forth as the one car or the other has made the more radical changes. Plymouth fell farther than ever behind the two leaders in 1954, when it stuck to the shorter car it had first put out the preceding year. But in 1955 Plymouth wiped out previous losses and captured an additional 2 per cent of the new car market by introducing a restyled car that was the longest of the lower-priced three.

Herbert Brean has summed the matter up by saying that "The main thing that has made the public buy cars in the past has been styling."

Not performance or engineering: with some aggravating exceptions, these are generally and uniformly good. Not price: everyone has had a fair amount of money over the past twenty years. Not safety: the public talks piously but it can seldom be induced to pay an extra penny for such things as safety belts and crash pads. What the public always wanted was a long, low, racy, high-powered dreamboat that looked as if it had been rolled in chromium batter. Styling was the thing.¹⁹

Vice President Wright of Ford said on Oct. 2: "The competitive sales struggle in 1959 will be decided mainly on the styling front." Other top executives seem to agree.

Tentative Plans to Make Smaller Cars

INDICATIONS have been given of late that Detroit is coming around to the view that styling, power features, and family-size comfort may not be incompatible with an "American-type Volkswagen." Evidence of a shift in consumer preference is still not clear-cut. The diminutive Rambler American, basically the car that was on the market

¹⁹ Herbert Brean, "Volkswagen, Go Home!" *Life*, July 28, 1958, pp. 84-87.

Editorial Research Reports

from 1953 through 1955 and then abandoned, has not been the top Rambler seller. But sales of Ramblers and of the European imports increased at twice the rate of used car sales during the first nine months of this year, despite the fact that they sold at twice as high a price on the average. One of every three Fords, Chevrolets, Plymouths, Ramblers, and Studebakers produced in the 1958 model run had a six-cylinder engine, compared to one of every four in 1957. The main question that has concerned the Big Three in recent months has been whether enough people would buy a small economy car, à la Detroit, to cover the costs entailed in producing and marketing such a car. Tooling and manufacturing facilities alone, aside from expenditures already made on basic research and development, would require an outlay of \$175 million to \$200 million by each of the manufacturers.

1959 MODELS AND THE DECISION ON SMALLER CARS

The 1959 models represent an attempt by the Big Three to submit small car popularity to the most stringent test possible by marketing new models purported to combine the best of both worlds. In conformity with tradition, styling has been substantially changed. At the same time, the leading manufacturers have borrowed the biggest sales pitch for the European favorites and the Rambler—fuel economy. The lower-priced three have all been boosting the availability of six-cylinder engines and the economical features of V-8s.

If this approach does not produce results, indications are that the Big Three will unveil smaller cars within a year. Chrysler President L. L. Colbert on Sept. 3 upset a generally held belief that Chrysler would be a year behind Ford and General Motors in the small car field; he said that for a "much longer time" than many people suspected, his company had had "hundreds of people at work designing, styling, and developing a small car of the type we believe would meet the needs and desires of American motorists." Colbert added that if Ford or General Motors should introduce small models—even by late summer, 1959—Chrysler would be able to build an entrant of its own to compete in the same model year. Ford Vice President Wright made it plain, Oct. 3, that his company had "no intention of letting the competition get the jump on us—in the small car field or any other field." He disclosed that "thousands

Small Cars

of man-hours and some of our best talent" had been devoted to the matter and that a small car had been "built and tested." Wright said that "If Ford decides to introduce a small car, we know precisely what kind it will be down to the last detail."

From all appearances, none of the Big Three is closer to putting a small car on the road than General Motors, through its Chevrolet division. Edward N. Cole, general manager of that division, on Sept. 23 confirmed widely circulated reports that Chevrolet had already ordered the necessary tools and dies. Such a move is the last step taken before ordering the material that actually goes into production of the mass-produced model.²⁰ General Motors cleared the way for a small car, automotive observers felt, when Chevrolet announced, Sept. 23, that its lowest priced Delray series had been dropped for 1959. This action moved Chevrolet toward the medium-price field and left room at the bottom for introduction of a smaller and less expensive car some time next year.²¹

REPORTED FEATURES OF BIG THREE ECONOMY AUTOS

Trade journal and business reporters, some of whom have had access to the blueprints, have given a fairly clear picture of what the Big Three's economy cars will be like if they are actually produced. Silas Freeman, business editor of *Look*, reported that the G.M. and Ford offerings would both have an over-all length of about 180 inches—approximately the same as the Rambler American. Both would have a slightly longer wheelbase than the American (the G.M. car anywhere from 104 to 110 inches, the Ford 109 inches), and both would have engines capable of mustering just under 100 horsepower.²²

Various new engineering features would be incorporated, particularly in the G.M. car, which reportedly would have a six-cylinder aluminum engine mounted in the rear to give better weight distribution and permit removal of the hump in the car floor. The Ford and Chrysler small cars

²⁰ The *Wall Street Journal* reported on July 10 that both G.M. and Ford had solicited and received bids from tool companies for various parts and machines for small cars, and that both had begun to set up production lines for turning out components.

²¹ Plymouth also dropped its lowest-price Plaza series and announced list prices generally slightly below those of comparable Chevrolets. Ford's 1959 list prices average fractionally below those of Plymouth. It is worthy of note that while list prices for all domestic cars were raised an average of 2.6 per cent, prices of Fords and Chevrolets were hiked an average of 6 per cent, of Plymouths 4.5 per cent.

²² Silas Freeman, "Detroit's No. 1 Problem," *Look*, Sept. 2, 1958, p. 50.

Editorial Research Reports

would be more conventional, with six-cylinder engines up front. President Colbert of Chrysler said on Sept. 3 that "Among other things, we have decided that an American small car would have to be big enough to carry at least five people and their luggage." He added that it "would need adequate power and acceleration to hold its own in safety on a turnpike."

It looks as if the Big Three consider small car convenience and operational economy more important than low initial cost. Most estimates place the list price at \$1,800 to \$2,000 without extras, as against a range of \$1,300 to \$1,650 for the best selling models of leading foreign imports. High retooling costs and high labor costs make a small car almost as expensive to produce in this country as a large car. But by offering new styling, and by incorporating engineering features that have been on the drawing board for years but never built into mass-produced American cars, the Detroit manufacturers would hope to open up a large market that it was never able to develop in the past with economy models of its standard cars.

MARKET FOR SMALL CARS IN UNITED STATES

Although automotive executives have generally accepted the fact that the small car has established a permanent place for itself in the American market, none of them is certain how large that place may become. Benson Ford said last May 6: "What about the future size of the market for imported small cars? Our present market projections indicate a leveling off at or around the 300,000 to 350,000 annual rate of sales." However, Ford added: "Of course, if the Big Three manufacturers come out with smaller cars, the probable result would be to push up the total small car market." One report has it that Ford and G.M. are predicating their plans for small car production on attainment by each of an annual volume of 200,000. Romney predicted last February that within 10 to 15 years small cars would win "more than 50 per cent" of the American new car market. He feels sure that the Big Three will get into what he believes is a developing revolution in car buying, brought on by the shift to the suburbs, congested urban traffic, and a growing preference for new and different leisure-time outlets.

One recent survey showed that in many respects the market for new small foreign cars has been similar to that

Small Cars

for new domestic cars. Roughly one-half of American families have incomes of \$5,000 or more a year; they buy 83 per cent of all new domestic cars, 85 per cent of new small imports. The average income of the new domestic car buyer is a little higher, the median income a little lower, than the income of the foreign car buyer. Executives, managers, and professional people make up 73 per cent of all new domestic car buyers, 75 per cent of new small car buyers. One of the biggest differences between families purchasing domestic and foreign cars is that a second car is owned by 60 per cent of all families that buy a small foreign car, by only 41 per cent of those that buy a new domestic car.²³

It stands to reason that the Big Three would not have gone so far toward production of a small car if convinced that it would merely rob Peter to pay Paul. They would probably get into the business only if reasonably sure that their total sales would increase as a result. To this end, a major target would be potential two-car families. In 1957, 6.2 million households, 34 per cent of them in the suburbs, owned two or more of the 43.4 million privately owned automobiles then registered. Production of a small car would enable the Big Three companies to emphasize the advantages of having two cars in a family without antagonizing families able to afford only one car.

Like American Motors, the Big Three would hope to invade the market for imported cars by proclaiming looks, comfort, abundance of service and repair shops, and size adequate to the all-around needs of the American family. The aim would be not only to win sales from foreign and domestic competitors and sister makes, but also to enlarge total new car sales by employing the economy pitch to tempt single-car families away from used car lots and into dealer showrooms.

Most observers agree, however, that Chevrolet, Ford, and Plymouth could not simply walk away with the small car market. American Motors expects that when the first quarter of the new model year ends, Dec. 1, 1958, Rambler sales will have doubled last year's total of 36,000.²⁴ Studebaker-Packard is virtually staking its future on success of

²³ U.S. News & World Report study, *The Market for Small Cars Today* (September 1958).

²⁴ Rambler sales in October were nearly triple those in the like month last year.

Editorial Research Reports

the diminutive Lark, whose 175-inch length makes it the shortest of all American-made cars. The best known foreign makes and many newcomers from abroad have started to expand nation-wide advertising in a big way. Past care by the foreign auto leaders to avoid "crash programs," and to make sure that a dealer was reliable and fully prepared to service the imports before granting a franchise, has begun to pay off in the form of good reputations for the foreign car names. There is no telling what the impact on volume of sales may be if General Motors, Ford, and Chrysler throw their immense prestige and enormous advertising capabilities behind the small economy car.



